

Message Text

PAGE 01 NATO 05903 042125Z

12

ACTION SS-30

INFO OCT-01 ISO-00 /031 W

----- 029205

R 042110Z DEC 73

FM USMISSION NATO

TO SECSTATE WASHDC 3065

INFO USMISSION EC BRUSSELS

C O N F I D E N T I A L USNATO 5903

EXDIS

E.O. 11652: GDS, 12/31/79

TAGS: ENRG, NATO

SUBJECT: WORLD OIL CRISIS AND THE ALLIANCE - DRAFT OUTLINE

REF: A) C-M(73)108; B) STATE 224425; 3) USNATO 5639

1. ECONOMIC DIRECTORATE HAS PREPARED A DRAFT OUTLINE FOR THE ECONOMIC COMMITTEE'S REPORT TO THE COUNCIL ON THE WORLD OIL CRISIS AND THE ALLIANCE (TEXT ED/EC/73/117 QUOTED BELOW). OUTLINE DIVIDES REPORT INTO THREE MAIN SECTIONS: (A) MEASURES ALREADY TAKEN OR LIKELY TO BE TAKEN BY ARAB PRODUCER COUNTRIES; (B) POSSIBLE IMPACT ON THE ARAB COUNTRIES; AND (C) POSSIBLE REPERCUSSIONS ON ALLIANCE COHESION.

2. DURING PRELIMINARY DISCUSSION OF OUTLINE BY EDONADS NOVEMBER 29, BELGIAN, CANADIAN, NETHERLANDS AND UK REPS ALL SAID THEIR GOVERNMENTS UNHAPPY WITH THIRD SECTION (PARA III OF TEXT) DEALING WITH POSSIBLE REPERCUSSIONS ON ALLIANCE COHESION, WHICH THEY CONSIDERED POLITICAL QUESTION BEST LEFT FOR NAC DISCUSSION. ECONOMIC COMMITTEE REPORT, THEY FELT, SHOULD BE RESTRICTED TO TECHNICAL ECONOMIC ANALYSIS. US REP ACKNOWLEDGED THAT OUTLINE SHOULD PERHAPS BE MODIFIED IN THE INTEREST OF MAKING IT BRIEF AND PRECISE; BUT POINTED OUT THAT REPORT SHOULD DEAL WITH CONSEQUENCES ON ALLIANCE OF PRODUCER COUNTRY ACTIONS SINCE MANDATE FROM THE COUNCIL WAS TO PREPARE A REPORT ON THE OIL CRISIS EMPHASIZING "SECURITY AND INTERNAL COHESION OF THE ALLIANCE."

3. ACTION REQUESTED: WASHINGTON COMMENT ON DRAFT OUTLINE, CONFIDENTIAL

PAGE 02 NATO 05903 042125Z

PARTICULARLY PARA III.

4. BEGIN TEXT:

- ECONOMIC MEASURES WHICH COULD BE LINKED TO THOSE MENTIONED ABOVE (E.G. RESTRICTIONS IN TRADE, TRANSPORTATION, LANDING RIGHTS FOR AIRLINES, ETC).

B. OTHER MEASURES WHICH COULD BE TAKEN

(I) ECONOMIC MEASURES AIMING AT GREATER SURVEILLANCE OR CONTROL OF THE OIL CIRCUIT AND ALLIED SECTORS:

- INSISTANCE THAT CRUDE OIL BE CARRIED IN TANKERS CHARTERED BY THE COMPANIES OF PRODUCER COUNTRIES (THIS WOULD BE AN EASY STEP TO TAKE AS THERE IS A SURPLUS OF TANKERS AT PRESENT IN VIEW OF THE CURRENTLY OPERATIVE RESTRICTIONS)
- REFUSAL TO AUTHORISE THE SALE OF CRUDE OIL FOR NEW REFINERIES LOCATED OUTSIDE THE PRODUCER COUNTRIES (THIS IN ORDER TO BE ABLE TO SELL OIL PRODUCTS WITH HIGHER PROFIT MARGINS)
- EFFORTS TO MASTER THE TECHNIQUES OF PRODUCTION, TRANSPORTATION, REFINING AND DISTRIBUTION.

(II) POLITICO-ECONOMIC STEP:

- STRICTER MEASURES TO THROTTLE DOWN OIL OUTPUT OR VARIATION OF SUCH MEASURES, DEPENDING ON FLUCTUATIONS IN POLITICAL RELATIONS WITH THE REST OF THE WORLD.

II. POSSIBLE IMPACT ON THE ARAB COUNTRIES

(A) ECONOMIC CONSEQUENCES OF THE EMBARGO FOR:

- MONOCULTURE COUNTRIES WITH A SMALL POPULATION (SAUDI ARABIA, GULF EMIRATES, LIBYA)

CONFIDENTIAL

PAGE 03 NATO 05903 042125Z

- COUNTRIES WISHING TO BOOST THEIR DEVELOPMENT AND INDUSTRIALISATION (ALGERIA AND IRAK)

(B) INTER-ARAB ECONOMIC AID TO HELP THOSE OIL PRODUCER COUNTRIES WHICH MIGHT BE MOST SERIOUSLY AFFECTED BY THE REDUCTIONS DECREED IN OCTOBER

(C) POSSIBILITY OF OIL SALES TO THE USSR - THE LATTER REPLACING WESTERN EUROPEAN COUNTRIES - IN RETURN FOR INDUSTRIAL AND EVEN AGRICULTURAL PRODUCTS.

III. POSSIBLE REPERCUSSION ON ALLIANCE COHESION

A. LIST OR CONSEQUENCES HARMFUL TO ALLIANCE COHESION

- WITHDRAWAL FROM THE ALLIANCE
- ADOPTION OF POSITIONS REFLECTING INTERESTS OUTSIDE THOSE OF THE ALLIANCE IN AREAS OF INTEREST TO THE LATTER (E.G. MBFR, CSCE)
- IMPOSSIBILITY TO MAINTAIN OR COPE WITH COMMITMENTS DEVOLVING UPON ALLIANCE MEMBERS (ESPECIALLY IN THE DEVENCE SECTOR)
- ADOPTION OF POSITIONS CONTRARY TO ARTICLE 2 IN CONFLICT WITH THE VITAL INTERESTS OF OTHER ALLIANCE MEMBERS.

B. LIST OF POSSIBLE ATTITUDES IN TERMS OF ALLIANCE SOLIDARITY

- POSSIBILITY OF THE ALLIANCE COUNTRIES TO SHOW THEIR SOLIDARITY BY SHARING AVAILABLE STOCKS ON A PRO-RATA BASIS ACCORDING TO THEIR REQUIREMENTS
- ASSESSMENT OF OIL SOURCES AVAILABLE OUTSIDE THE ARAB AREA.

C. ROLE OF THE USSR IN THE CRISIS

THREE HYPOTHESES:

- DETENTE PRIORITY AND, THEREFORE, NON-INTERVENTION IN THE CONFIDENTIAL

PAGE 04 NATO 05903 042125Z

OIL SECTOR

- OFFERS OF GREATER TECHNICAL AID TO THE ARAB COUNTRIES, PROPOSAL TO PURCHASE THEIR OIL IN RETURN FOR INDUSTRIAL AND AGRICULTURAL PRODUCTS, AND MILITARY MATERIAL
- INTERMEDIARY STATUS OR OFFER TO CERTAIN ALLIANCE COUNTRIES TO SUPPLY OIL (ALTHOUGH SUCH AN OFFER CAN BE LARGE-SCALE IN VIEW OF THE CURRENT STATE OF SOVIET OIL PRODUCTION).

CONCLUSION

ON THE MOST OPTIMISTIC ASSUMPTION OF A TOTAL RETURN TO OIL DELIVERIES, THE SALIENT RISK REMAINS THE UNCERTAINTY WHICH WILL CONTINUE TO AFFECT THE GROWTH POSSIBILITIES OF THE ECONOMIES BOTH OF WESTERN EUROPE AND JAPAN BECAUSE OF THE EVER-PRESENT POSSIBILITY OF A DROP IN OIL EXPERTS.

END TEXT.

RUMSFELD

NOTE BY OC/T: EXDIS CAPTION ADDED PER S/S-O - MS. ELTZ.

CONFIDENTIAL

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: Z
Capture Date: 02 APR 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 04 DEC 1973
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: willialc
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973NATO05903
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: 11652 GDS, 12/31/79
Errors: n/a
Film Number: n/a
From: NATO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731255/abqcedsg.tel
Line Count: 166
Locator: TEXT ON-LINE
Office: n/a
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: A) C-M(73)108; B) STATE 224425; 3) USNATO 5639
Review Action: RELEASED, APPROVED
Review Authority: willialc
Review Comment: n/a
Review Content Flags:
Review Date: 22 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22-Aug-2001 by elyme>; APPROVED <10-Oct-2001 by willialc>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: WORLD OIL CRISIS AND THE ALLIANCE - DRAFT OUTLINE
TAGS: ENRG, NATO
To: STATE INFO EC BRUSSELS
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005